

No. 16,223

United States Court of Appeals  
For the Ninth Circuit

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SUN-MAID RAISIN GROWERS OF CALIFORNIA, a corporation,  vs.  CALIFORNIA PACKING CORPORATION, a corporation,	}	<i>Appellant,</i>       <i>Appellee.</i>
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OPENING BRIEF FOR APPELLANT SUN-MAID.

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SUN-MAID RAISIN GROWERS OF  
CALIFORNIA, a corporation,  
*Appellant,*

vs.

CALIFORNIA PACKING CORPORATION,  
a corporation,  
*Appellee.*

**OPENING BRIEF FOR APPELLANT SUN-MAID.**

**INTRODUCTION.**

This is an appeal from an order of the United States District Court for the Southern District of California, dated July 25, 1958 (R. 112), denying appellant's motion to dissolve an injunction or, in the alternative, to join Sunkist Growers, Inc. as a party. The injunction sought to be dissolved was granted by the District Court over twenty years ago on June 15, 1936, against appellant, Sun-Maid Raisin Growers of California (hereinafter referred to as "defendant"), in favor of appellee (hereinafter referred to as "plaintiff").

**JURISDICTION.**

Jurisdiction in the District Court was present because it issued the injunction sought to be dissolved,

*United States v. Swift and Co.*, 286 U.S. 106, 52 S. Ct. 460.

This court has appellate jurisdiction under 28 U.S.C. §§ 1291 and 1292 (1) which provide that the courts of appeal shall have jurisdiction of appeals from all final decisions and interlocutory orders refusing to dissolve injunctions of the district courts of the United States; and also under *Jackson v. Heiser* (C.A. 9th, 1940) 111 F. 2d 310, 312.

The basis for the motion was the general power of the equity courts to relieve a person of the effect of an injunction if conditions have changed, and the direct provision of subdivision (b) (5) of Rule 60 of the Federal Rules of Civil Procedure which authorizes the court to relieve a person from a final judgment when "it is no longer equitable that the judgment should have prospective application . . ."

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#### STATEMENT OF THE CASE.

On June 15, 1915, plaintiff's predecessor instituted an action in the United States District Court for the Southern District of New York against defendant's predecessor (R. 8) complaining that the mark "Sun-Maid" was an infringement of its mark "Sun-Kist." (R. 8.) The action was settled by an agreement whereby defendant's predecessor covenanted to limit its use of the trademark "Sun-Maid" to raisins and raisin products. (R. 18.) This agreement specifically recited that defendant's predecessor's use of the mark "Sun-Maid" was detrimental to plaintiff's predecessor

because it “was and is mistaken for and confused with the trade-mark ‘Sun-Kist’.” (R. 16.)

In 1923, defendant’s predecessor was adjudicated a bankrupt and defendant corporation was organized for the purpose of taking over its packing business. (R. 10 and 11.)

In 1929 plaintiff instituted an action in the District Court claiming that defendant had violated the agreement of March 10, 1917. (R. 12.) The court found generally in favor of defendant, *California Packing Corp. v. Sun-Maid Raisin Growers of California*, 1934, D.C. Cal., 7 F. Supp. 497, and Finding No. 16 (R. 71) was as follows:

“Defendant in this case has not acted fraudulently and is not seeking to take advantage of complainant’s reputation or the reputation of its ‘Sun-Kist’ goods. Defendant is acting in good faith and *there is no confusing similarity between the two trade-marks in suit.* The use by defendant of the trade-mark ‘Sun Maid’ is not likely to, and does not, produce any confusion or mistake, or represent directly or indirectly that defendant’s goods come from complainant.”\*

The decision of the District Court was reversed (81 F.2d 674) on the ground that defendant was bound by the contract of March 10, 1917 (81 F.2d 674, 676); however, Finding No. 16 was not disturbed on the appeal. Thus, the issue of confusing similarity of the two marks is not present in this case having been previously disposed of adversely to plaintiff.

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\*All italics are supplied unless otherwise indicated.

On June 15, 1936, a mandatory injunction was issued enjoining defendants from using the trademark "Sun-Maid" otherwise than on packages containing raisins or raisin products. (R. 80.)

On September 20, 1950, plaintiff sold all of its right, title and interest in its trademark "Sun-Kist" to California Fruit Growers Exchange (now by change of name called Sunkist Growers, Inc.).

On December 16, 1954, defendant filed a motion identical to the present one requesting dissolution of the injunction. The District Court declines to rule on the merits and dismissed the motion for failure to comply with the requirement that a proceeding to affect a final judgment should be addressed in the first instance, to the Court of Appeals which had ordered the judgment entered. An appeal from that order was taken and on January 16, 1957, the Court of Appeals dismissed the appeal as not being from a final order, but considered the proceeding before it as a request for permission to proceed in the District Court, and granted it, *Sun-Maid Raisin Growers of California v. California Packing Corp.*, 244 F.2d 895.

The District Court subsequently denied defendant's motion (165 F. Supp. 245) holding that the contract and injunction were still enforceable by plaintiff in spite of its having assigned its rights under the trademark "Sun-Kist."

**SPECIFICATION OF ERRORS.**

1. The District Court was in error in finding that:

a. The injunction was not based upon plaintiff's rights of ownership in the trademark "Sun-Kist" (Finding of Fact No. 4, R. 110);

b. The validity of the contract of March 10, 1917, did not depend upon plaintiff's ownership of the trademark "Sun-Kist" (Finding of Fact No. 5, R. 110);

c. Plaintiff's sale of the trademark "Sun-Kist" did not terminate its rights under the contract (Finding of Fact No. 8, R. 110);

d. There has been no change of circumstances relating to the validity or enforceability of the contract or injunction (Finding of Fact No. 9, R. 110, 111);

e. The injunction is not subject to change because it enforces a contract (Finding of Fact No. 11, R. 111); and

f. It would be inequitable to relieve defendant of the injunction (Finding No. 13, R. 111).

2. The District Court was in error in concluding that:

a. The contract of March 10, 1917, is not an unreasonable restraint of trade (Conclusion of Law No. 1, R. 112);

b. The contract of March 10, 1917, is valid and enforceable by plaintiff (Conclusion of Law No. 2, R. 112);

c. There is no basis for dissolution of the injunction (Conclusion of Law No. 3, R. 112) and



d. Sunkist Growers, Inc., is not a necessary or proper party herein. (Conclusion of Law No. 4, R. 112.)

3. Accordingly, the District Court erred in denying defendant's motions to dissolve the injunction and join Sunkist Growers, Inc. as a party. (R. 112.)

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### QUESTION PRESENTED.

The basic question involved here is whether an assignor of a trademark is entitled to oppose a motion to dissolve an injunction which originally issued to protect that assignor's interest in the trademark.

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### ARGUMENT.

I. THE SOLE PURPOSE OF THE INJUNCTION SOUGHT TO BE DISSOLVED WAS TO PROTECT PLAINTIFF'S THEN EXISTING RIGHTS IN ITS TRADEMARK "SUN-KIST".

It is apparently the position of the District Court that plaintiff derived a vested right in the injunction of June 15, 1936, simply because that injunction enforced a contract; and that once the contract was so enforced the *purpose* of the injunction became forever immaterial. (Finding of Fact No. 4, R. 110; and R. 98, 102, 103.)

It is pertinent to note that the injunctive decree of 1936 (R. 77) in this case makes absolutely no mention of any contract, but merely orders that defendant be perpetually enjoined from "using the trademark 'Sun-Maid' otherwise than on packages containing

raisins or on packages containing food products or confections made wholly or in part from raisins.” (R. 78.) However, the fact is that when this injunction was issued it enforced a covenant by defendant to restrict its use of the trademark “Sun-Maid” to raisin products. (R. 18.) The reason for this restriction was the supposed confusing similarity between defendant’s mark “Sun-Maid” and plaintiff’s mark “Sun-Kist.” (R. 16.)

This covenant or agreement by defendant was thus a form of restraint on trade, the legality of which depended upon its reasonableness. (17 C.J.S. Contracts § 252, p. 635.) Its reasonableness, in turn, depended upon several factors, the most important of which was the requirement that it be ancillary to a lawful contract by which plaintiff acquired something which needed protection, *Super Maid Cook-Ware Corporation v. Hamil*, 50 F.2d 830, 831 [1-3]; 17 C.J.S. Contracts, § 246, page 629. The test, then is: Did defendant’s covenant afford a fair protection to the interests of plaintiff in favor of whom it was given? (17 C.J.S. Contracts, p. 630.) In applying this test to the contract at the time it was executed in 1917, it is possible to conclude that plaintiff, the then owner of “Sun-Kist”, had a legitimate interest to protect. Any real or supposed danger to that interest would clearly be the valid subject matter of a main contract to which defendant’s covenant not to use its mark “Sun-Maid” could be legally appended. This restraint was, therefore, probably valid *at the time the contract was entered into*, and its enforcement by the



injunction was within the jurisdiction of this court, but only so long as there was an interest of *plaintiff* to protect.

Is then the fact that the injunction issued to protect rights under a valid contract sufficient to give the injunction the same qualities as a judgment at law which cannot be impeached collaterally? The District Court's premise that it does simply cannot be sustained. (R. 101.) It is based upon a complete misconception of the injunctive decree.

Fundamentally, questions relating to the dissolution of an injunction must be approached through an understanding of the nature and effect of the decree, 28 Am. Jur., Injunctions § 314. Contrary to the seeming belief of the District Court in the present case, an injunction does not create or "confirm" rights. (Finding No. 11, R. 111, R. 102.) Its only function is to *protect* the rights of a plaintiff from injurious interference. *In its office of preventing injury, it does not confer a perpetual or vested right in the remedy, the law governing the injunction, or the effect of it, Ladner v. Siegel*, 148 A. 699, 703 [11] 298 Pa. 487. It is grossly incorrect to say that the plaintiff herein is entitled to the same measure of protection at all times and under all circumstances (*Illinois Cent. R. Co. v. Illinois Commerce Commission*, 56 N.E.2d 432, 439 [3-4], 387 Ill. 256) simply because it was the beneficiary of an injunction which protected its rights under a contract. Surely, the contract cannot merge into the injunction to endow the injunction with some mysterious, unchangeable quality.

A preventive injunction of the type here under review, although purporting on its face to be permanent, is, in its very essence, of an executory or continuing nature. It is "permanent" only to the extent that it continues to protect the interest of the party for whom it was issued, and it has uniformly been held that it is always subject, upon a proper showing, to dissolution by the court which rendered it. As pointed out by Justice Edmonds in *Sontag Chain Stores Co., Ltd. v. Superior Court*, 18 Cal. 2d 92, 94 [2] et seq. [113 P.2d 689], the inherent power of the court to vacate a decree of this nature,

"may be exercised either where there has been a change in the *controlling facts* upon which the injunction rested, or the law has been changed, modified or extended, or where the ends of justice would be served by modification."

In considering whether or not the injunction should be dissolved, the court must make its determination upon the showing as to facts *now existing*, just as though the injunction had never been entered, *Illinois Cent. R. Co. v. Illinois Commerce Commission*, supra, 56 N.E.2d 432, 440 (5), 387 Ill. 256. As will be discussed later in this brief, the contract of 1917, as well as the injunction, have now become an illegal restraint on trade, per se, if they are not connected with the trademark. Any attempt by plaintiff to detach them from the trademark results in their becoming a nullity.

Thus, even though defendant's covenant may have been reasonable and valid when made, it *now* appears

that its sole object has been accomplished. Plaintiff no longer having any rights in the trademark to protect, the injunctive decree has no proper purpose to uphold it and give it life, *Glantz v. Willow Supply*, 52 A.2d 346, 349 (12-15), 139 N.J.E. 523.

Continued enforcement of the present injunction makes the court granting it a party to an illegal restraint on trade because the restrictive covenant has now become the *primary* object of plaintiff; it is no longer *ancillary* to the previously lawful purpose of protecting plaintiff's interest in the trademark Sun-Kist.

Obviously the injunction in the present case, like any other injunction whether enforcing a contract or not, looks to the future and should be dissolved if its past justification ceases to exist, *Douglas v. City of Jeanette*, 319 U.S. 157, 63 S.Ct. 877.

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**II. WHEN PLAINTIFF ASSIGNED THE TRADEMARK "SUN-KIST", IT THEREBY ABANDONED ITS RIGHTS UNDER THE CONTRACT AND INJUNCTION WHETHER THAT WAS ITS INTENTION OR NOT.**

Defendant agrees that the rules of trademark law relative to assignments as set forth in the District Court opinion (R. 95, 96) are absolutely correct as abstract principles, for it is well established that the owner of a trademark has a property right which he may assign to another. Transactions of this nature are every day occurrences. Significantly, however, the court has not stated the pertinent rules of trademark law which specifically apply to the facts of this case.

To understand why plaintiff's rights under the contract and injunction have been abandoned, one must consider the basic underlying principle that, although a trademark may be the subject of an assignment, it simply cannot exist in gross, that is, *it cannot be assigned separate and apart from the good will with which it is associated*, *Ph Schneider Brewing Co. v. Century Distilling Co.*, 107 F.2d 699, 703 (7); Nims, Unfair Competition and Trade-Marks, 1947, § 17, p. 85 et seq. and § 22, p. 123; Registration of Trade-Marks, Act of July 5, 1946, Title I, § 10. Thus, plaintiff's assignment of its trademark necessarily transferred *all* of the good will of the business in which the trademark was used, *Eiseman v. Schiffer*, 157 Fed. 473, 476; *Macmahan Pharmacal Co. v. Denver Chemical Mfg. Co.*, 113 Fed. 468, 474 et seq., since, as it is sometimes expressed, "the shadow cannot be separated from the substance", *Ward-Chandler Bldg. Co. v. Caldwell*, 8 Cal. App. 2d 375, 378 (4), 47 P.2d 758. In other words, plaintiff should not be allowed to sell its cake and eat it too, *King Pharr Canning Operations v. Pharr Canning Co.*, 85 F. Supp. 150, 156 (14).

On September 20, 1950, plaintiff herein sold its

"entire right, title and interest in and to the trade-mark 'Sun-Kist' and registrations thereof, *together with that part of the good will of the business . . . connected with the use of and symbolized by the mark.*" (R. 173.)

If, then, plaintiff assigned the good will connected with the trademark, and if, as the District Court found, the contract and injunction are a part of that



good will (R. 96), how then can the court conclude that plaintiff has not terminated its rights under the contract of March 10, 1917, or under the injunctive decree of June 15, 1937? (R. 110, Finding 8.)

True, the plaintiff did not expressly assign the contract and injunction by specifically saying so (Finding of Fact No. 6, R. 110); but this circumstance is of absolutely no importance when the applicable law on the subject is considered. The following cases, among countless others, uniformly recite that when one assigns his trademark, he automatically divests himself of *all* of the good will connected with that mark. No express assignment is needed because good will is not susceptible of being disposed of *or retained* independently.

*Browning King Co. of New York v. Browning King Co.*, 176 F.2d 105, 106;

*Continental Corporation v. National Union Radio Corp.*, 67 F.2d 938, 942 (2);

*E. F. Prichard Co. v. Consumers Brewing Co.*, 136 F.2d 512, 518 (8, 9);

*Greyhound Corporation v. Rothman*, 84 F. Supp. 233, 239 (8);

*Macwilliam v. President Suspender Company*, 46 D.C. 45, 48 et seq.;

*Mayer Fertilizer & Junk Company v. Virginia-Carolina Chemical Company*, 35 App. D.C. 425;

*United States Ozone Co. v. United States Ozone Co.*, 58 F.2d 1051, 1055 (1, 2);

*Ward-Chandler Building Company v. Caldwell*, supra, 8 Cal. App. 2d 375, 378 (4).

See also:

Restatement of the Law of Torts, Vol. III,  
 § 755, and § 756, comment c, page 680;  
 California Civil Code, § 1084;  
 5 Cal. Jur. 2d, Assignments, § 51, page 330;  
 Restatement, Contracts, §151(a), illustration 4;  
 Nims, Unfair Competition and Trade-Marks,  
 § 17, p. 89, and § 234, p. 806.

Plaintiff's contention that it may assign its trade-mark and still retain something so primarily and essentially a part of it as the benefit under a contract entered into for the unique purpose of protecting it smacks of the same "hocus-pocus" condemned by Judge Minton of the Court of Appeals for the Third Circuit in *California Fruit Growers Exchange v. Sunkist Baking Co.*, 166 F.2d 971. In that case, the present plaintiff and its assignee sought to *divide* the good will of the "Sunkist" and "Sun-Kist" trademarks between themselves by contract. The court's impression of this chicanery was expressed as follows on page 975:

"We are supposed to believe that when a customer bought fruits or vegetables under the name 'Sunkist', he was not confused as to whether the fruit came from the California Fruit Growers Exchange or the vegetables from the California Packing Corporation; but if he bought a loaf of bread under the name 'Sunkist', he was likely to think he bought it from one or the other of the plaintiffs because they sold fruits and vegetables, but never bread. With the plaintiffs practicing such hocus-pocus with the trade-name 'Sunkist',

we shall ask to be excused when we are admonished by these dividers of confusion by contract to hear their vice-president and advertising manager shout confusion on behalf of the purchasing public.”

The “hocus-pocus” still continues, however, with the plaintiff now contending, despite its sale of the trademark “Sun-Kist” for more than a million dollars that it still retains that part of the associated good will represented by the contract and injunction!

Such a proposition just cannot be maintained, especially in the light of the rule that an attempted assignment of a trademark, unaccompanied by all of the good will with which it has been used, is ineffectual for any purpose except as evidence of an abandonment of the mark by the assignor, *Sauers Milling Co. v. Kehlor Flour Mills Co.*, 39 D.C. 535, 542; *Browning King Co. of New York v. Browning King Company*, supra, 176 F.2d 105, 106 [2, 3]; Restatement, Torts, § 752 and § 755 at page 676.

Therefore, since plaintiff has abandoned its trademark, it cannot successfully object to the use of even a *similar* mark by defendant merely because defendant’s predecessor signed an agreement 40 years ago, *Segal v. Storch*, 56 A.2d 134, 136 [6], 141 N.J.E. 78; Derenberg, Trade-Mark Protection and Unfair Trading, 1936, § 52, p. 66 II.

Findings of Fact Nos. 4, 5, 8, 9, 10, 11, and 13 are unquestionably erroneous.



### III. THE VALIDITY OF THE CONTRACT OF MARCH 10, 1917 DEPENDS ENTIRELY UPON PLAINTIFF'S OWNERSHIP OF THE TRADEMARK "SUN-KIST".

That the previous ownership of the mark "Sun-Kist" by plaintiff has controlling significance upon this case can be plainly seen from a survey of the broader law of unfair competition of which the substantive law of trademarks is merely a branch, *United Drug Co. v. Rectanus Co.*, 248 U.S. 90, 97, 39 S.C. 48; *Standard Oil Company v. Standard Oil Company*, 252 F.2d 65, 71 [1-3]; *Triangle Publications v. Hanson*, 65 F. Supp. 952, 958 [8]; 24 Am. Jur. 812, Good Will §§ 12, 13, 16, 17; Nims, Unfair Competition and Trade-Marks, § 20a.

The facts of this case fit in perfectly with the classic situation wherein the vendor of a business agrees not to compete with the buyer within a certain area. For example, A owns a dairy business. A sells that business to B, agreeing at the same time that he (A) will not engage in the dairy business in the same area as B. B subsequently sells his dairy business together with the good will to C, making no specific mention of A's agreement not to compete. Thereafter, A re-enters the dairy business in the same area. Suppose, then, that B seeks to obtain an injunction against A upon the theory that he had a right to reserve A's covenant to himself even though he had disposed of the rest of the dairy business. In *Burchell v. Capital City Dairy, Inc.*, 163 S.E. 81, 158 Va. 6, it was held that an injunction enjoining the original vendor (A) from engaging in the dairy business should be dissolved be-

cause there was "no person before the court who was then entitled to have the covenant enforced." The court then recognized the rule that:

"Such a covenant is assignable by the purchaser of the business, even though it does not run to the purchaser and his assigns; and if the purchaser in turn sells the business, including his good will, the covenant passes as an appurtenance of, or an incident to, the business sold by the purchaser without a specific assignment thereof, or of the contract in which it was made." (163 S.E. at 82 [2].)

In other words, continued the court at page 82 [3], when B sold to C "he [B] lost all right to enforce by injunction the restrictive covenant of A."

In the present case, defendant's agreement to restrict the use of its trademark "Sun-Maid" is indistinguishable from A's promise not to engage in the dairy business. Like A's covenant not to compete, defendant's agreement was incidental to the good will attached to the property (trademark "Sun-Kist") for whose protection it was made. It is enforceable, if at all, only by the assignee of the trademark. Plaintiff's right to enforce it ended with its transfer of the mark to Sunkist Growers, Inc. Nims, Unfair Competition and Trade-Marks, § 20a, at page 115 et seq.

The following cases, selected from literally hundreds to the same effect, fully support defendant's position that the restrictive agreement contained in the March 11, 1917 contract cannot be retained by plaintiff, no matter what contrary intention it may now have, since

such an agreement can have no vitality apart from the trademark which it was intended to protect:

- Francisco v. Smith*, 38 N.E. 980, 981, 143 N.Y. 488;  
*George M. Danke Co. v. Marten*, 241 N.W. 359, 361 [1, 2];  
*Goldman v. Bootman*, 167 N.Y.S. 196, 197, 179 App. Div. 767;  
*Graca v. Rodrigues*, 33 Cal. App. 296, 298, 165 P. 1012;  
*Haugen v. Sundseth*, 118 N.W. 666, 667, 106 Minn. 129;  
*Irving Investment Corporation v. Gordon*, 66 A.2d 54, 58 et seq., 3 N.J.S. 385;  
*J. L. Davis, Inc. v. Christopher*, 122 So. 406, 407 [6] et seq. (Ala. 1929);  
*Mahlstedt v. Fugit*, 79 Cal. App. 2d 562, 566 [2], 180 P.2d 771;  
*Peterson v. Johnson Nut Co.*, 283 N.W. 561, 569 [15], 204 Minn. 300;  
*Nye Odorless Incinerator Corp. v. Felton*, 162 A. 504, 511 [17-19], 35 Del. 236;  
*Russell v. Russell*, 39 Cal. App. 174, 176 et seq., 178 P. 307;  
*Shafer v. Sloan*, 3 Cal. App. 335, 337, 85 P. 335;  
*Wright v. Scotten*, 121 A. 69, 71 [1], 13 D. Ch. 402.  
 Cf. *Los Angeles University v. Swarth*, 107 Fed. 798, 804, 806.

See also:

Corbin, Contracts, Vol. IV, § 885, page 555.

For this further reason, Findings of Fact Nos. 4, 5, 8, 9, 10, 11 and 13, and Conclusion of Law No. 2 are completely erroneous.

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#### IV. THE CONTRACT OF MARCH 10, 1917 AND THE INJUNCTION HAVE BECOME AN ILLEGAL RESTRAINT ON TRADE BECAUSE OF CHANGED CONDITIONS.

The District Court bases its conclusion that the contract is not an illegal restraint on trade upon a discussion of the Sherman Anti-Trust Act (15 U.S.C.A. § 1 et seq.). Application of this Act to the facts of this case does not seem appropriate inasmuch as defendant does not contend that plaintiff is attempting to create a monopoly which would exclude the public from access to competitive commodities. (See discussion in 45 A.L.R. 2d, § 146 (a), page 192.) The contract of 1917 was a simple restrictive covenant which, when tested in the light of circumstances *existing at the present time*, has become an illegal restraint on trade, *Illinois Central R. Co. v. Illinois*, supra, 56 N.E. 2d 432, 440 [5], 387 Ill. 256.

The District Court mistakenly quotes a statement from 17 C.J.S., Contracts § 22 and cites several cases to the effect that if a contract is valid when made it cannot be invalidated by conditions developing at a later date. (R. 93 [99].) This rule applies only to the constitutional guarantee that “No *state* shall . . . pass any . . . law impairing the obligation of contract . . .” (Art. I, § 10, Cl. 1, United States Constitution.) The court failed to take into consideration § 24, Contracts, of the same volume of C.J.S. which points out



that this rule is subject to many limitations; and §§ 464 and 467 which make it clear that cessation of the existence of facts existing at the time of entering into the contract will excuse performance, and that a contract is discharged where, after it has been entered into, the performance is made unlawful.

The contract of 1917 has unquestionably become an illegal restraint on trade (not a monopoly) because it now contravenes the rule that a restrictive covenant of this type must be ancillary to the *main purpose* of a lawful contract, *United States v. Addyston Pipe & Steel Co.*, 85 F. 271, 282, Nims, Unfair Competition, § 20a, p. 141. It further violates the rule that the covenant must be necessary to protect the covenantee in the enjoyment of the legitimate fruits of the contract, *Irving Investment Corporation v. Gordon*, *supra*, 66 A.2d 54, 58 [2], 3 N.J.S. 385.

In 1917, when defendant's predecessor entered into the agreement not to use its mark on certain products, it was probably unobjectionable since the promise was ancillary to the main purpose of the contract, that is, to protect plaintiff's predecessor in its use of its trademark "Sun-Kist," *California Packing Corporation v. Sun-Maid Raisin Growers of California*, 81 F.2d 674, 676 [statement of facts], and page 677 [3] *et seq.*

However, as pointed out by Professor Corbin (Contracts, § 1387, page 492), the restraint became illegal when plaintiff completely disposed of the subject matter of the main contract. The restraint on defendant has now become the main purpose and as such is unenforceable. A restraint in gross, like an injunction

in gross, is invalid after its justifying reasons have ceased to exist, *Glantz v. Willow Supply*, 53 A.2d 346, 349 [7-9] and [12-15], 139 N.J.E. 523; *M. M. Ullman & Co. v. Levy*, 133 So. 369, 370 [2, 3], 172 La. 79; *American Weekly, Inc. v. Patterson*, 16 A.2d 912, 915, 179 Md. 109.

Furthermore, going back again to the narrower specific field of trademarks as such, it has been the long established rule that the proprietor of a trademark, unlike the owner of a patented invention, may not make a negative and merely prohibitive use of it, *United Drug Co. v. Rectanus Co.*, supra, 248 U.S. 90, 97, 39 S.C. 48; *Segal v. Storch*, supra, 56 A.2d 134, 136 [2-5]; *American Photographic Pub. Co. v. Ziff-Davis Pub. Co.*, 135 F.2d 569, 573. Conversely, it is absurd to say, as does the District Court in this case, that the owner of a trademark can assign the trademark to another with *almost all* of the good will, and still make a negative use of a segment of that good will represented by the contract and injunction. The fact that plaintiff continues to derive a substantial advantage from the injunction is certainly no justification for its continuance, and it has been emphatically so held, *Segal v. Storch*, supra, at page 136.

The case of *Desny v. Wilder*, 46 Cal.2d 715, 730, 299 P.2d 257, cited by the District Court (R. 103), cannot conceivably be said to be "akin" to that of the case now before this court. In the *Desny* case the court held that a person agreeing to pay for an idea which is not protected, will be held to his bargain notwithstanding the fact that, before disclosure, he could have

used the idea without paying for it. The case is not germane to the issues here because an *agreement to pay for something* is entirely different from an *agreement not to do something* as an essential part of a main contract. The agreement to pay for the idea is the main purpose of the contract. Here, the agreement not to use "Sun-Maid" on certain products is necessarily ancillary to the main purpose of the contract. Surely, the main purpose of the 1917 contract was not to arbitrarily keep defendant from using its mark on all grocery products.

Conclusions of Law Nos. 1 and 2 are, therefore, incorrect.

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#### V. BASIS FOR DISSOLUTION OF THE INJUNCTION.

Defendant has made a showing of one important fact—that plaintiff no longer owns the trademark "Sun-Kist". This one fact amounts to an overwhelming basis for dissolution of the injunction in the light of the above discussion.

As pointed out before, there can be no vested right in a permanent injunction even if it is enforcing a contract. As stated in *United States v. Swift*, 286 U.S. 106, 52 S.Ct. 460, the inquiry for us is whether there are changes so important that dangers once substantial, have become "attenuated to a shadow". When plaintiff here divested itself of its trademark there was no longer a substantial danger that its interests were in danger. The danger had not only "attenuated



to a shadow"—it had completely vanished! See *Tobin v. Alama Mills*, 192 F.2d 133, 136 [3]; and *Douds v. Wine, Liquor and Distillery Workers Union*, 75 F. Supp. 184, 188 [12].

Thus, looking back to 1936, when the injunction was granted, we see that had the present state of affairs existed then, no court could have reasonably listened to plaintiff's contention that the contract should be enforced in gross, *Burbridge v. Hicks*, 286 S.W.2d 678, 679 [2], (Texas).

In *Coca-Cola Co. v. Standard Bottling Co.*, 138 F. 2d 788, an injunction had been issued, by consent, against defendant prohibiting use of the word "cola". A reading of the case makes it clear that the only reason for the injunction was to protect the then distinctive trademark "Coca-Cola". However, sixteen years after the injunction was issued defendant successfully sought modification of the injunction in the District Court on the ground that the word "cola" was no longer distinctive. On appeal, the Court of Appeals for the Tenth Circuit affirmed the lower court quoting the *Swift* case as follows:

" 'We are not doubtful of the power of a court of equity to modify an injunction in adaptation to changed conditions, though it was entered by consent. . . . A continuing decree of injunction directed to events to come is subject always to adaptation as events may shape the need.' "

Obviously, the sale by plaintiff of its mark is an entirely sufficient basis for dissolution of the injunction for this is exactly the type of "changed condi-

tion" which the cases repeatedly refer to when dissolving injunctions.

*In re Jackson*, 9 Fed. 493 (1881);

*Ross v. Veltmann*, 161 S.W. 1073, 1074 [2], (Texas);

*Burbridge v. Hicks*, *supra*, at p. 679 et seq.;

*City Central Bank & Trust Co. v. Jackson et al.*, 45 S.W.2d 433, 435 [3], (Texas);

*Whitson v. City of Kingfisher*, 54 P.2d 616, 622 [10] 176 Okla. 145;

*Atchison, T. & S.F. Ry Co. v. Shriver*, 166 Pac. 519, 520, 101 Kan. 257;

High, *A Treatise on the Law of Injunctions*, 4th ed., 1905, Vol. II, pages 1492-1493, § 1495;

43 C.J.S., *Injunctions*, § 84, page 567, § 242, p. 982.

Conclusion of Law No. 3 is plainly wrong.

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**VI. PLAINTIFF HAS NO RIGHT TO ENFORCE THE INJUNCTION SINCE IT IS NEITHER A PROPER NOR NECESSARY PARTY.**

The District Court's refusal to join Sunkist Growers, Inc., the assignee of the trademark "Sun-Kist" is contrary to the established rule that in order to be entitled to maintain an injunction, the complainant must be the owner of the thing sought to be protected, *George M. Danke Co. v. Marten*, *supra*, 241 N.W. 359, 361 [1, 2], 207 Wis. 290; Hopkins, *The Law of Trademarks, Tradenames and Unfair Competition*, § 175, page 399; 43 C.J.S., *Injunctions*, § 35; 28 Am. Jur., *Injunctions*, §§ 273, 316.

The cases uniformly hold that the real party in interest is the assignee of the business or trademark to which the restrictive covenant is necessarily and irrevocably attached (*Knowles v. Jones*, 62 So. 514, 515 [4], 182 Ala. 187; *Anderson v. Truitt*, 148 A. 223, 225 [5], 158 Md. 193; *Weber v. City of Cheyenne*, 97 P.2d 667, 669, 55 Wyo. 202; *Noble v. One Sixty Commonwealth Avenue, Inc.*, 19 F. Supp. 671, 672); and the only party who may oppose a motion to dissolve an injunction is one who can show he would be entitled to the issuance of an injunction, 43 C.J.S., Injunctions, § 225, page 964.

The District Court's only statement in support of its position that plaintiff is the proper party in this case is: "An assignor at common law had the sole right to protect the assignee, by legal means, in the thing he assigned or in the rights ancillary to it." (R. 97.) With this general principle defendant agrees, and indeed, such was the law of this country—in 1805, *Winchester v. Hackley*, 6 U.S. 342, 2 L. Ed. 299. However, the law has matured and changes have appeared, specifically Rule 17(a), Rules of Civil Procedure (28 U.S.C.A., Rules for Ninth Circuit) which directs that "Every action *shall be* prosecuted in the name of the real party in interest." To the same effect is § 367, Code of Civil Procedure of California, except that it is even more emphatic. It demands that "Every action *must be* prosecuted in the name of the real party in interest."

In the face of this definite reversal of the common law authority relied on by the District Court, it is difficult to understand how it could have reasonably

denied defendant's motion to join Sunkist Growers, Inc. It is, after all, an elementary principle that in order to justify the continuation of an injunction, the plaintiff must clearly show *its* need of it. A plaintiff cannot succeed because *someone else* may be hurt, *Darby v. Daniel*, 168 F. Supp. 170, 188 [8].

In this connection, it is necessary to consider the status of Sunkist Growers, the assignee.

At the outset, it is important to note that the assignee, Sunkist Growers, Inc., does not and never has used the trademark "Sun-Kist" (hyphenated). Its trademark is "Sunkist" (unhyphenated) which it has employed since 1907. (See *California Fruit Growers Exch. v. Sunkist Baking Co.*, 166 F.2d 971, 972.)

Some years prior to the 1950 assignment of the trademark "Sun-Kist" by plaintiff to Sunkist Growers, Inc., these two parties entered into a contract (R. 179-181) whereby each granted the other the right to employ their marks "Sun-Kist" and "Sunkist" on certain goods. (*California Fruit Growers Exchange v. Sunkist Baking Co.*, supra.) In other words, Sunkist Growers has nothing more now than it had before the assignment except that it obtained freedom from suit by plaintiff under that contract. For the \$1,250,000 paid to plaintiff, Sunkist Growers merely received what amounts to a covenant not to sue from plaintiff, and thereby became entitled to the use of its "Sunkist" trademark on canned goods as well as on fresh fruit.

Sunkist Growers was not a party to the contract of March 10, 1917, or to the litigation that resulted in



the issuance of the injunction. (R. 111, Finding No. 14.) However, it did have notice of the proceedings in this case and informed defendant that the dissolution of this injunction was a matter "to be resolved between defendant and plaintiff, and that it desired neither to consent *or object* thereto." (R. 82.)

Thus, defendant, by a continued enforcement of the injunction, must restrict its trademark, yet no one derives any *legitimate* benefit from such restriction—plaintiff no longer has anything to protect, while the assignee of the mark is totally indifferent. Surely, on equitable principles, as well as the clear statutory requirements as to parties, defendant is entitled to have Sunkist Growers, Inc. joined as a party so that *if any controversy still exists*, it may be settled between the proper parties.

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### CONCLUSION.

In view of the controlling law on the facts of this case, it is requested that the order of the District Court be reversed and that the injunction be dissolved.

Dated, San Francisco, California,  
March 27, 1959.

Respectfully submitted,

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